Supreme Court, U.S.

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In The

Supreme Court of the United States

October Term, 1998

KEN LUKER
Petitioner,

vs

THE AKRO CORPORATION
Respondent.

Petition for Writ of Certiorari
To the United States Court of
Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. In an action for patent infringement, when the question of the patent's validity has been put before the court, the law should not permit an accused infringer to defer that inquiry indefinitely, by suggesting that there might be someone, not a party, with a superior claim to ownership.

2. In an action for patent infringement, when the question of the patent's validity has been put before the court, a court should not act upon a suggestion of merely possible outside interest in a patent, to enable the person sued for infringement to avoid the results of his unlawful action, and to defer indefinitely the issue of the patent's validity.

LIST OF ALL PARTIES TO THE PROCEEDINGS

The parties to the proceeding in the Court of Appeals for the Federal Circuit were:

Petitioner: Ken Luker, who was the defendant-appellant; and

Respondent: The Akro Corporation, who was the plaintiff-appellee.

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NO.

In The
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KEN LUKER

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Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

Petitioner Ken Luker requests this Court issue a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit, entered in this action on December 14, 1998, which affirmed a judgment of the United States District court for the Northern District of Ohio.

OPINIONS BELOW

United States District Court 'Opinion' entered June 3, 1997 containing findings of fact and conclusions of law that petitioner Luker owns neither legal nor equitable title to U.S. Patent No. 4,871,602. (Appendix A)

United States District Court 'Order' entered March 30, 1998 denying petitioner Luker's motion to amend or alter the order dismissing claims for: declaratory judgment of validity and enforceability, and, patent infringement predicated on the finding that Luker lacked standing to assert any patent related claims. (Appendix B)

United States Court of Appeals for the Federal Circuit 'Judgment' affirming without opinion the district court's dismissal of all claims related to petitioner Luker's U.S. Patent 4,871,602. (Appendix C)

JURISDICTION

The Judgment of the United States Court of Appeals for the Federal Circuit was entered on December 14, 1998. Jurisdiction of the United States Supreme Court rests upon 28 U.S.C. § 1254(1).

STATUTORY AND CONSTITUTIONAL PROVISIONS INVOLVED

This case is based on The Patent Act, Title 35 United States Code § 261 (Appendix D) and involves California Labor Code § 2860 (Appendix E) as applied to its facts.

STATEMENT OF THE CASE

In 1993, Akro sued Luker asking the trial court to declare Luker's patent, U.S. Pat. No. 4,871,602 (the "'602 patent") invalid. The trial court promptly decided that it did not have personal jurisdiction over Luker, a California resident, and dismissed the case on motion. Akro appealed to the Federal Circuit which reversed and directed the trial court to proceed to the merits. Akro v. Luker, 45 F.3d 1541 (Fed. Cir. 1995). Luker then filed his answer and counterclaim against Akro for patent infringement.

After dispositive motion practice and an eight day bench trial concerning infringement and validity of the '602 patent, the trial court requested post-trial briefing on the issue of whether Luker owned either legal or equitable title to the '602 patent. Despite Luker's arguments that implied assignment of his patented invention to his employer, Designer Mat Inc. ("DMI"), was not a valid

defense to Akro's patent infringement, the trial court issued findings of fact and conclusions of law dismissing, for lack of subject matter jurisdiction, both Akro's complaint for declaratory judgment and Luker's infringement claims. The trial court concluded that Luker did not have legal or equitable title to the '602 patent for his invention because the California Labor Code § 2860 compelled, as a matter of law, an assignment of Luker's invention to his employer, DMI.

After the decision, Luker moved to amend the judgment (FRCP 59) and/or in the alternative to add DMI as a party (FRCP 15). The Federal Circuit deactivated Luker's appeal while those post-trial motions were pending.

The trial court denied post-trial relief, once again noting that Luker was hired to develop and invent products among his other duties as DMI President and in any event that California Labor Code § 2860, compelling assignment of employee's inventions by virtue

of their employment, must be read into every employment agreement. The Federal Circuit then reactivated Luker's appeal.

While Luker's Federal Circuit appeal was pending, Luker moved, under FRCP 60(b), for relief from the trial court's previous denial of Luker's FRCP 59 motion to amend its judgment and/or add DMI as a party to the trial court's proceedings. This motion relied upon new evidence from Designer Mat's California bankruptcy proceedings that DMI and its creditors have never asserted a claim to Luker's patent. This motion was pending in the trial court on December 14, 1998, when the Federal Circuit entered its judgment ('affirmed') without opinion.

STATEMENT OF FACTS

Appellant Ken Luker ("Luker") is the named inventor of the '602 patent entitled "Floor Mat With Band Of Higher Density Tufting" issued by the PTO on June 29, 1988. Luker has never assigned his '602 patent to anyone. At the time Luker invented the subject matter of the '602 patent, he was owner and President of DMI and another corporation, Calron Carpets. He was sole owner of both corporations. Both corporations conducted operations in the same facilities. Calron was in the business of manufacturing rolled carpet goods for the automotive industry. DMI manufactured finished car floor mats from rolled carpet goods including those manufactured by Calron.

Luker performed a variety of duties: he (i) created promotional literature and brochures; (ii) promoted products through attendance at industry trade shows; (iii) made joint venture agreements, and (iv) oversaw manufacturing operations. In short, he "ran

the show." None of the companies Luker previously associated with had sought patent protection for inventions. Neither did DMI and Calron. Although the patent search and application fees for Luker's '602 patent were paid in part by DMI, at no time did Luker have any agreement to assign any inventions he might make to either Calron or DMI. In fact, Luker had no formal employment agreement of any kind with either corporation.

Calron, DMI, and Luker each filed separately for bankruptcy protection in the 1987-88 period. Luker's '602 patent application was listed on Luker's personal bankruptcy schedule, but the trustee did not administer it as an asset.

Although the trial court found in June, 1997, that DMI had legal and equitable title (and Luker had no interest) in the Luker '602 patent, the fact remains, Designer Mat, Inc. (DMI) has never asserted any interest, legal or equitable, in the Luker '602 patent.

REASONS FOR GRANTING THE PETITION

A. Federal Circuit decisions are unclear as to whether the issue of patent validity can be resolved without the patent owner as a party to the suit.

The trial court committed reversible legal error when it allowed Akro to defend the charge that it infringes the Luker '602 patent by asserting that Luker is not the patent owner. The Court of Claims, the First, Sixth, and Seventh Circuits, have long held that purported ownership rights of non-parties does not excuse a party accused of infringement by the patent owner.

Assuming arguendo that it was proper for the trial court to entertain the purported ownership of Luker's patent by DMI as a defense for Akro (even though DMI was not a party), it was error for the trial court to insert the

California Labor Code into the employment relationship between DMI and patentee Luker. California Labor Code § 2860 appears to have been enacted to interdict theft of an employer's trade secrets.

> **Ownership of things acquired by virtue of employment**
>
> Everything which an employee acquires by virtue of his employment, except the compensation which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment. Cal.Lab.Code § 2860 (West 1989)

Compounding the error, the trial court applied the California statute to compel an assignment of Luker's '602 patent without first determining whether his employer specifically hired or directed him to exercise inventive faculties.

Finally the trial court concluded Luker's corporation (DMI), not Luker, owns the '602 patent, but did not allow DMI to be added as a party.

All of this the Federal Circuit affirmed, without an opinion.

Implied assignment of rights through a contractual arrangement between employer and employee does not, or should not afford third parties a defense to patent infringement. See Dorr-Oliver, Inc. v. U.S., 432 F.2d 447 (Ct. Cl. 1970); Mercantile National Bank of Chicago v. Howmet Corp., 524 F.2d 1031 (7th Cir. 1975); Mill Novelty Company v. Monarch Tool & Manufacturing, 49 F.2d 28 (6th Cir. 1931); Heywood-Wakefield Co., 96 F.2d 496 (1st Cir. 1938)).

Akro has sought to avoid these cases by: (1) citing to a Tariff Act decision by the Federal Circuit in McKinney v. U.S., 799 F.2d 1544 (Fed. Cir. 1986); (2) relying upon the Federal Circuit decision in Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574 (Fed. Cir. 1991); and (3) "distinguishing" cases in which there were formal employment contracts, from those applying only the common law (or

purported codification of the common law).

In McKinney, supra, the Federal Circuit denied standing for individual members of Congress to bar importation of Soviet goods under the Tariff Act. McKinney, 799 F.2d at 1558. That case does not appear to have much to do with this one. In Arachnid, supra, the Federal Circuit said:

> We hold that the Wisconsin district court's 1987 order decreeing Arachnid "to have been" the owner of the invention since its conception was ***legally ineffective to bestow standing upon Arachnid*** to retroactively seek patent infringement damages for the 1985-86 period. Although ***it may have validated Arachnid's right to seek equitable relief*** against IDEA (or its successors in liability), under these facts and the controlling authorities, the Wisconsin district court's order did not retroactively divest IDEA of legal title to the '781 patent during the 1985-86 time frame and revest that legal title in Arachnid for standing purposes.

Arachnid, 939 F.2d at 1579(emphasis added).

Based on somewhat different (and a more intricate set of) facts, Arachnid appears to support rather than refute Luker's argument.

The federal government and many states have codified the common law rules relating to the ownership of patent rights in the employer-employee context. See, e.g., Heinemann v. U.S., 796 F.2d 451 (Fed. Cir. 1986) (discussing an Executive Order which specifies categories of government employees whose inventions are presumed to be government property).

Akro argued that Heinemann recognizes a purported codification of a federal employer's common law right to assignment of its employee's inventions. Heinemann construes the constitutionality of a specific Executive Order related to inventions made by government employees. Heinemann, 796 F.2d at 454-56. Pertinent to this appeal is Heinemann's preservation of the common law rights of employees to their inventions. Heinemann cites with approval United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933), a declaratory judgment action between the U.S. Government as employer and an employee for

title to a patent. Heinemann, 796 F.2d at 455. Dubilier, supra is one step removed from the instant dispute since 'employer' DMI is not a party and has not pursued an ownership interest in Luker's patent.

In an earlier patent infringement action brought by Dubilier against alleged infringer RCA, Dubilier v. Radio Corp. of America, 34 F.2d 450 (D.Del. 1929), RCA (like Akro) asserted common law rights of the U.S. Government, as an employer, to "ownership by the United States in that the alleged inventions were made by the patentees on the employer's [U.S. Government] time, with its tools and facilities..." Id. at 451. The court dismissed RCA's common law assignment argument with analysis similar to other circuit courts of appeal which have addressed contractual duties to assign:

> Whether the United States had or had not an equitable right to require, if it so desired, an assignment of the inventions or patents to it, there has been no assignment of either....(a) That

> ***upon the grant of the patents the respective patentees become vested with legal title*** thereto, (b) that ***if,*** by reason of a relation of employer and employee existing between the U.S. and the patentees at the time the inventions were made and by reasons of the nature of the service to which the patentees were assigned and the particular circumstances under which the inventions were made, ***the U.S. has a right to require an assignment of the patents, such right, personal to the employer is exercisable at its option alone,*** and (c)that whatever the optional rights or equities between the Government as employer and the patentees as employees were, ***such rights or equities cannot constitute a defense to infringement by a third party.***

Id. at 463(emphasis added).

In precluding a defense of implied ownership rights, these cases are precedent supporting Luker's position in this appeal.

In another case of interest, Sigma Engineering Service, Inc. v. Halm Instrument Co. Inc., 33 F.R.D. 129 (E.D.NY. 1963), the court opined:

> Each of these cases involved a suit by the legal owner of the patent in

> which the defendant attempted to assert the ownership of the United States predicated upon the employment of the inventor. In each case it was held that whatever equities or rights the U.S. Government might have in the invention were not available against the holder of the legal title and did not constitute a defense to an action for infringement.[cites omitted] ***Dubilier Condenser Corporation v. Radio Corporation of America***, D.C.Del. 1929, 34 F.2d 450. The defendant claims that these cases are not applicable because the Government was the employer and the ***equity arose out of employment rather than a written agreement***. There is no difference between the Government and any other employer in this respect.

Id. at 298 (emphasis added).

The Sigma court applied Dubilier, supra, and its opinion refutes Akro's argument that common and contractual rights somehow require a different result.

The appropriate inquiry since Dubilier, supra, is whether the "employer specifically hires or directs the employee to exercise inventive faculties." Teets v. Chromalloy Gas Turbine Corp., 83 F.3d 403,407(Fed. Cir. 1996),

citing U.S. v. Dubilier, 289 U.S. at 187.

Although citing Dubilier, supra, the trial court's reliance upon Teets fails to note that Teets sued his employer in a declaratory judgment action to settle rights in the subject patent - that is of course not the situation here.

B. Allowing alleged infringers to end the inquiry into a patent's validity by asserting that the other party in the suit does not have title to the patent is contrary to the policy of the patent grant.

The inquiry here is validity of the patent, not ownership. The inquiry is infringement, not equitable title. Akro brought Luker from California to Ohio, not the other way around, to test the validity of Luker's patent. Finding himself in court in Ohio, Luker then counterclaimed for infringement.

It didn't matter to Akro that DMI, or someone else, might have an equitable interest

in the patent until Luker counterclaimed for infringement. Even then Akro was perfectly willing to have Luker, this "stranger", defend the patent's validity.

Luker will not contend there is complete harmony in the law on this issue, but there should be in patent cases. The Court of Appeals for the Federal Circuit was formed , in part, because Congress recognized a special need for uniformity in patent law. S.Rep. 97-275, 97th Cong., 1st Sess. (1981):

> Patents...are a stimulus to the innovative process, which includes not only investment in research and development but also a far greater investment in facilities for pro-ducing and distributing the goods. Certainly, ***it is important*** to those who must make these investment decisions ***that we decrease unnecessary uncertainties in the patent system***.

Id. (emphasis added).

CONCLUSION

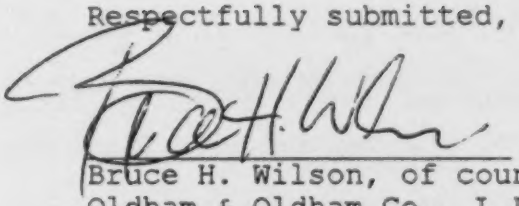
The law should not permit an accused infringer to derail the inquiry as to the validity of the patent by suggesting there might be someone with a superior claim to ownership. It's better for everyone, including those who might be affected by the limited monopoly arising from the grant of the patent, that once the question of the validity of the patent is put before the court, that it be pursued to a conclusion. In any event, the one who asserts ownership in a third person should be required to substantiate that assertion. Such an assertion should never become a defense to a claim of infringement -- especially when the accused infringer is unwilling to bring that third party before the court.

A patent is issued by the government, in accordance with Article I, Section 3 of the United States Constitution, and federal statutes establishing the United States Patent and Trademark Office. Letters patent are

granted to worthy inventors, conferring upon them a monopoly limited in time
and to the specific subject matter of the claims. To that extent, the issued patent has a life of its own and may affect the conduct of persons, persons other than the patentee, unknown at the time of its issuance. Other applicants for patents are going to be prevented from being awarded patents which claim the same invention. If, then, that patent is not valid, it should not bar the rights of others to practice its claims -- regardless of who owns it or who feels threatened by its owner. For that reason, once the inquiry is suggested that a patent may be invalid, the court should adjudicate the merits of the claim of invalidity. From this point of view, ownership, which is not strictly relevant to the issue of validity, is secondary to the more important question of what others may be allowed to make, use and sell. The patent laws are designed to encourage advancement in

science and the technical arts, not to frustrate it.

Respectfully submitted,



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APPENDICES

APPENDIX A

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

THE AKRO CORPORATION,	)	CASE NO. 5:93CV2207
	)	
Plaintiff,	)	Judge Sam H. Bell
	)	
v.	)	Opinion
	)	
KEN LUKER,	)	
	)	
Defendant.	)	

The Akro Corporation ("Akro"), Plaintiff, and Ken Luker, Defendant, dispute whether Akro is liable to Luker for infringement of United States Patent No. 4,871,602 (the "'602 patent"). After denying the parties' cross-motions for summary judgment, the court held a eight-day bench trial. Among its many arguments, Akro challenged Luker's standing to bring an infringement suit by asserting that Luker holds no ownership interest in the patent. The court agrees that Mr. Luker lacks ownership of the patent and, consequently, adequate standing to assert infringement of the patent. Consequently,

the court shall dismiss for lack of subject matter jurisdiction each of Plaintiff's claims of non-infringement, invalidity and unenforceability and Defendant's counterclaim of infringement. In addition, because Defendant has failed to present any evidence to support its counterclaim for unfair competition, the court shall find for Plaintiff on that count of the counter-complaint.

FINDINGS OF FACT

1. The Akro Corporation is a company incorporated under the laws of the State of Delaware. Akro produces floor mats for use in automobiles and has its principal place of business in Canton, Ohio. (Tr. at 55-56, 820.)

2. Ken Luker is a resident of the State of California. (Tr. at 397.) Mr. Luker is the named inventor of United States Patent No. 4,871,602 (Tr. at 398; Pl.'s Tr. Ex. 1.)

3. In 1987, Luker founded Designer Mat, Inc. ("DMI"), a company dedicated to, inter alia, the production of carpeted floor mats for

automobiles. (Tr. at 403-404, 420-421.) DMI was incorporated under the laws of the State of California and had its principle place of business in Ontario, California, where it operated a factory for the production of its mats. (Tr. at 404-405.) DMI filed for bankruptcy protection in 1989. (Tr. at 405-406.)

4. Since DMI's incorporation, Luker served as its President and sole owner. (Tr. at 405) Among his other responsibilities, Luker was responsible for the creation and development of DMI products, including the invention of new product. (Tr. at 414; Final Pretrial Order at B-9, ¶ 9.) As an employee of DMI, Luker did not work pursuant to a formal employment agreement.

5. In July, 1987, Luker conceived an idea for improving the wear and appearance of carpeted automobile floor mats. Luker's idea consisted of double-tufting the mat's carpeting in the region of expected high wear, all within a single pass of a carpet tufting machine. (Tr. at 414-415, 588-593.) Luker conceived the idea in his

capacity as an officer of DMI, and for the commercial benefit of DMI. (Tr. at 414.)

6. Subsequently, Luker produced a mat incorporating his idea. (Tr. at 415.) He made the prototype mat on a tufting machine located in DMI's Ontario production facility with the assistance of employee George Kennedy, a DMI foreman. (Tr. at 418-419, 552.) Kennedy suggested the use of two threads in a single needle to achieve the desired double tufting in the region of expected high wear. (Tr. at 347, 349,353,416,586-588.) Luker made the mat using yarn, carpet backing and latex supplied and owned by DMI. (Tr. at 419-420,552-554,592.) He named the double-density mat the "Double Mat."

7. On June 29, 1988, Luker filed an application with the United States Patent and Trademark Office for a patent on the double-tufted floor mat. (Tr. at 472; Pl.'s Tr. Ex. 1.) At least a portion of the expenses incurred in filing the application for the patent, such as attorneys' fees and application fees, were paid

by DMI. Luker did not pay any of the application expenses in his personal capacity. (Tr. at 424-427,472-480,551.) In addition, he did not report any of the payments made by DMI and others as income on his federal or state tax returns. (Tr. at 507.)

8. On October 3, 1989, the United States Patent and Trademark Office granted Luker United States Patent No. 4,871,602 for a double-tufted carpeted automobile floor mat. (Pl.'s Tr. Ex. 1.)

9. On approximately six separate occasions, Luker accused Akro of infringing the '602 patent. (Final Pretrial Order at B-1.) For example, in a letter dated October 13, 1993, Luker, through his counsel, wrote the following:

> It is my understanding that you are aware of the patent held by Mr. Luker and are intentionally manufacturing and selling floor mats using said patent in full disregard of Mr. Luker's patent rights.
>
> Please be advised that our office is investigating this matter and will seek remedies for our client should there be a patent

> infringement. Such remedies would include injunctive relief, compensatory damages and attorneys' fees.

10. On October 15, 1993, Akro filed suit against Luker for a declaratory judgment that (1) it has not infringed the '602 patent and (2) the patent is invalid and unenforceable. (Docket #1.)

11. On July 31, 1995, Luker countersued Akro, alleging that Akro had in fact infringed the '602 patent and that Akro had engaged in unfair competition. (Docket #30.)

CONCLUSIONS OF LAW

1. The court may exercise personal jurisdiction over the parties in a manner consistent with the due process limitations of the Fifth Amendment. See Akro Corp. v. Luker, 45 F.3d 154, 1549 (Fed. Cir. 1995).

2. The court may issue a declaratory judgment as to the enforceability, validity and infringement by Akro of the '602 patent only upon a determination of an actual controversy. See 28 U.S.C. § 2201 (West 1997). ("In a case

within its jurisdiction,...any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought."); Aetna Life Ins. Co. v. Hayworth, 300 U.S. 227,239-240 (1937).

3. "In a patent context, an actual controversy exists if there is (1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity." Cygnus Therapeutics Sys. v. Alza Corp., 92 F.3d 1153, 1159 (Fed.Cir. 1996)(citing B.P. Chems., Ltd. v. Union Carbide Corp., 4 F.3d 975,978 (Fed.Cir. 1993)).

4. As the party seeking a declaratory judgment, Akro bears the burden of proving, by a preponderance of the evidence, that an actual

controversy exists. Id.

5. "The reasonableness of a party's apprehension of a suit involves an objective inquiry" of the totality of the circumstances, including "any express charges of infringement." Id.

6. On numerous occasions, Luker expressly charged Akro with infringement of the '602 patent. In light of these charges, Akro reasonably feared that it would face a suit for both legal and equitable relief. In addition, Akro conducted activity at the time of its suit which could constitute infringement. As a result, the court may issue a declaratory judgment as to the rights of Akro and Luker with respect to the '602 patent upon a finding that an infringement suit by Luker against Akro for both legal and equitable relief lies within its jurisdiction.

7. Under 28 U.S.C. § 1338 (West 1997), the court may exercise jurisdiction over an action "arising under" any Act of Congress relating to

patents.

8. In order for an action to arise under the patent laws, the plaintiff asserting a claim of patent infringement must have standing to bring the claim. Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574, 1579 (Fed.Cir. 1991).

9. In both his threat of suit and his actual suit against Akro, Luker has asserted a right to both legal and equitable relief. "The general rule is that one seeking to recover money damages for infringement of a United States Patent (an action "at law" must have held legal title to the patent during the time of the infringement." Id. (emphasis in original). In addition, "one seeking injunctive relief for infringement of a U.S. patent must hold an equitable interest in the patent at the time of suit." Arachnid, 939 F.2d at 1580 (citing Papazian v. Amer. Steel & Wire Co. of New Jersey, 155 F.Supp. 111 (N.D.Ohio 1957)). Consequently, in order to have standing to bring his suit, Luker must demonstrate both legal

title to the '602 patent during the time of the alleged infringement and equitable title at the time the suit was filed.

10. "[A]n invention presumptively belongs to its creator....Consistent with the presumption that the inventor owns the invention, an individual owns the patent rights even though the invention was conceived and/or reduced to practice during the course of employment." Teets v. Chromolloy Gas Turbine Corp., 83 F.3d 403,406 (Fed.Cir. 1996) (citing Beech Aircraft Corp. v. EDO Corp., 990 F.2d 1237,1248 (Fed.Cir. 1993); Arachnid, 939 F.2d at 1578; Hapgood v. Hewit, 119 U.S. 226,223-34 (1886)).

11. Nevertheless, an employer may still claim legal title to an employee's inventive work, under either an express assignment or an implied contract. Id.

12. "As a matter of common law, after the Supreme Court's decision in Erie Railroad v. Thompkins, 304 U.S. 64 (1938), state contract principles provide the rules for identifying and

enforcing implied-in-fact contracts." Teets, 83 F.3d at 407.

13. As a California resident employed by a California corporation at a site located in Ontario, California, Luker is subject to the employment and contract law provision of the State of California. Cf. Id. (applying Florida law to an employment relationship within the State of Florida).

14. Under California law, "[e]verything which an employee acquires by virtue of his employment...belongs to the employer...." Cal. Labor Code § 2860 (West 1997).

15. Luker and DMI did not enter into a precise employment agreement. Consequently, Cal. Labor Code § 2860 must be read into the parties' employment relationship. See Lugosi v. Universal Pictures, 603 P.2d 425,431 (Cal. 1979)(Mosk, J., concurring) ("In the absence of precise provision of a contract to the contrary, Labor Code section 2860 (formerly Civil Code § 1985) must be read into every employment

relationship.").

16. Under Cal. Labor Code § 2860, Luker does not hold legal title to the '602 patent. First, Luker conceived the idea of using double-tufting in the high wear region of an automobile floor mat while serving as President of DMI. Among his responsibilities as President were the design and development of new products. Cf. Goodyear Tire & Rubber Co. v. Miller, 22 F.2d 353,356 (9th Cir. 1927) (holding that an invention made by an employee hired to make it belonged to the employer); Teets, 83 F.3d at 406 ("When the purpose for employment thus focuses on invention, the employee has received full compensation for his or her inventive work."). Moreover, he used DMI facilities and materials to construct the Double Mat prototype and received the assistance of a fellow DMI employee in configuring the tufting machinery. Finally, DMI paid at least a portion of the fees necessary to secure patent protection for the tufted floor mat idea. In sum, the court finds

that Luker acquired the '602 patent "by virtue of his employment" by DMI. Cf. Aero Bolt & Screw Co. of Cal. v. Iaia, 180 Cal.App.2d 728 (Ct. App. 1960) (finding no employer right to assignment where an employee developed the invention on his own time and at his own expense, and paid all patent application costs).

17. In addition, Luker holds no equitable interest in the '602 patent. Under Cal. Labor Code § 2860, "[e]verything which an employee acquires by virtue of his employment...belongs to the employer...." Thus, under California law, if an employer assumes ownership of a patent by virtue of the nature of the employee's acquisition of the patent rights, an employee is left with no rights in the patent at all. Furthermore, under Teets, the existence of an implied assignment contract divests an employee of all rights, both legal and equitable. In that case, the Federal Circuit Court of Appeals concluded that, under applicable state law, the defendant employer had been assigned the rights

to a patent that had been issued to the plaintiff employee. The Court found that the rights had been assigned under an implied contract between the two parties. As a result, the Court held that "the district court clearly erred in its determination that [employee] Teets owned any rights to the invention." Teets, 83 F.3d at 408 (emphasis added).

18. In the absence of either legal or equitable title to the '602 patent, Luker lacks standing to sue Akro for either legal or equitable relief from any alleged infringement. Consequently, the court may not exercise subject matter jurisdiction over either Akro's original infringement suit or Luker's infringement counterclaim. Furthermore, the court must decline to rule on the merits of Count 1 of Akro's complaint and Count 1 of Luker's counter-complaint. See Firestone Tire & Rubber co. v. Risjord, 449 U.S. 368, 379 (1981) ("A court lacks discretion to consider the merits of a case over which it is without

jurisdiction....").

19. Luker failed to present any evidence to support his claim of unfair competition pursuant to the Lanham Act. As a result, the court hereby finds for Akro on Count 2 of Luker's counter-complaint.

IT IS SO ORDERED.

SAM H. BELL

United States District Judge

APPENDIX B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

THE AKRO CORPORATION,	)	CASE NO. 5:93CV2207
	)	
Plaintiff,	)	Judge Sam H. Bell
	)	
v.	)	ORDER
	)	
KEN LUKER,	)	
	)	
Defendant.	)	

Now before the court is a motion to alter or amend judgment filed by Defendant Ken Luker. (Docket #172.) On June 3, 1997, the court entered its decision in this case upon the conclusion of an eight-day bench trial. (Docket #165.) The court found that Mr. Luker does not own either legal or equitable title to United States Patent No. 4,871,602 (the '602 patent"). Consequently, it held that Luker lacks standing to bring a suit for infringement of the '602 patent against Plaintiff The Akro Corporation ("Akro"). The court then dismissed Akro's declaratory judgment claims, as well as Luker's

infringement counterclaim, for lack of subject-matter jurisdiction. In addition, the court found no evidence to support Luker's counterclaim for unfair competition, and granted Akro judgment on that claim.

The court does not wish to reiterate in full the reasons for its finding. Its June 3, 1997 opinion speaks for itself. Nevertheless, it does believe that a brief summary of those reasons would be helpful in addressing Luker's present motion.

The court began by noting that its subject-matter jurisdiction over this case stemmed from 28 U.S.C. § 1338, which grants federal jurisdiction over any case "arising under" any Act of Congress relating to patents. A case may arise under the patent laws only if the party bringing claim of infringement has adequate standing. Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574, 1579 (Fed. Cir. 1991). Consequently, the court found that is must establish Luker's standing to bring an

infringement claim before it could proceed to the merits of the case.

In Arachnid, the Federal Circuit Court of Appeals clarified that standing in an infringement suit is really about title. In particular, the Circuit held that a party seeking legal relief for patent infringement must have legal title to the patent during the time the patent was allegedly infringed. Id. Subsequently, in Teets v. Chromolloy Gas Turbine Corp., 83 F.3d 403, 406 (Fed.Cir. 1996), the Circuit explored the issue of title in the context of the employment relationship. After noting that an employer may take legal title to an employee's inventive work under either an express or implied contract, the Circuit held that courts must look to state contract principles to determine whether an implied contracts exist. Id.

This court then looked to the law of the State of California, the state where Luker worked as President of Designer Mat, Incorporated ("DMI")

at the time he invented the subject of the '602 patent. California Labor Code § 2860 provides "[e]verything which an employees acquires by virtue of his employment...belongs to the employer...." Cal. Labor Code § 2860 (West 1997). Applying Labor Code § 2860, and case law interpreting the transfer of title under common law, the court found that DMI, not Luker, held legal title to the '602 patent. First the court noted that Luker's job responsibilities specifically included the design and development of new products. Second, it noted that Luker used DMI facilities and materials to develop the subject matter of the '602 patent and did not pay any of the expenses of securing the patent.

Luker now contends that the court erred when it found that he does not hold legal title to the '602 patent. He first argues that his former employment arrangement precluded any finding that his rights in the patent were transferred to his employer pursuant to an implied contract. According to Luker, he was not specifically

hired or directed to invent by DMI. As a result, Luker concludes, he was under no duty to assign his invention to DMI. See. e.g., Banner Metal, Inc. v. Lockwood, 178 C.A.2d 643,654-655 (Cal.App. 1960)(holding that "the mere existence of an employer-employee relationship is not, in and of itself, sufficient to entitle the employer to partake of the benefits of the employee's inventive genius."). Luker also argues that the court erred in reading Labor Code § 2860 into his employment relationship with DMI, and that in any event he could not have "acquired" anything from DMI, because he was DMI's founder, President, and sole owner. Finally, Luker argues that the court's construction of Labor Code § 2860 eliminates the shop right doctrine and the constructive license which it creates.

The court has no doubt that Mr. Luker's arguments are genuine, and even heart-felt. But these arguments are simply not supported by applicable law. First, courts have clearly held

that an employer may claim legal title to any invention by an employee who was hired to invent. See. e.g., Id. at 658 ("One employed to make an invention, who succeeds, during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained.") (quoting United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933)). As the trier of fact in this case, this court found that Luker was hired by DMI to develop and invent products. (Opinion at ¶ 4.) Granted, Luker also performed other duties as DMI President. But this does not serve to limit DMI's legal claim to the '602 patent in any way. Otherwise, an employer would lose its claim to the inventions of an employee whom it hired to invent if it also assigned the employee any other significant task. No decision suggests that courts may impose any such restriction. See e.g., Barton v. Nevada Consolid, Copper Co., 71 F.2d 381 (9th Cir. 1934) (denying employer title to employee invention because employee was not hired to

invent products, among his various duties). Second, the court must read California Labor Code § 2860 into Luker's employment relationship with DMI. As Akro notes, counsel for Luker's position himself recognized this during DMI's dispute with George Kennedy. (See Akro's Opp. to Luker's Mot. to Amend Ex. 3 (same as Akro's Tr. Ex. 64) ("California has, however, passed a statute in that area name Section 2860 of the Labor Code, a copy of which is enclosed. That section seems favorable to your position.").) More importantly, Justice Mosk was clear in his opinion in Lugosi v. Universal Pictures, 603 P.2d 425 (Cal. 1979): California law requires that, under ordinary circumstances, courts read § 2860 into every employment contract. "In the absence of precise provision of a contract to the contrary, Labor Code section 2860 (formerly Civil Code § 1985) must be read into every employment relationship." Id. at 431 (Mosk, J., concurring)(emphasis added).

Luker's remaining arguments are similarly

unpersuasive. Luker could most certainly "acquire" his patent rights from DMI, even though he himself created the invention. "Where an employee creates something as part of his duties under his employment, the thing created is the property of his employer unless, of course, by appropriate agreement, the employer retains some right in or with respect to the product." Zahler v. Columbia Pictures Corp., 180 Cal.App 2d.582,589 (1960). Also, despite Luker's beliefs, he is not the alter ego of DMI simply because he was its founder, President and sole owner. DMI is a corporation, and thus a separate legal person. Presumably, this strict separation of personalities is what attracted Luker to the corporate form in the first place. He may not now argue otherwise simply because it works to divest him of title to the patent. Finally, the court's interpretation of Labor Code § 2860 does not "eliminate the shop right doctrine and its constructive license altogether." (Mot. to Amend or Alter at 7.) That doctrine provides that an

doctrine provides that an employer has a non-exclusive right to practice any invention which an employee conceives and perfects: (1) during his hours of employment; (2) working with his employer's materials and appliances. United States v. Dublier Condenser Corp., 289 U.S. 178, 188 (1933). This case itself demonstrates why the court's interpretation of Labor Code § 2860 does not render the doctrine redundant. If Luker's employment duties did not include developing and inventing products, DMI would still have a shop right to practice the invention. It could practice the invention even though Luker would have legal title to the patent. But because Luker's duties did include invention, DMI owns all rights in the invention, not just a license to practice it.

In sum, the court finds no reason to alter or amend it June 3, 1997 judgment in any way. Luker's motion is hereby DENIED. Furthermore, the court DENIES Luker's alternative motion, pursuant to Fed. R. Civ. Pro. 15, to add various

parties as defendants at this advanced stage of the litigation.

SAM H. BELL
United States District Judge

APPENDIX C

United States Court of Appeals
for the Federal Circuit

97-1463

THE AKRO CORPORATION,

Plaintiff-Appellee,

v.

KEN LUKER,

Defendant-Appellant.

JUDGMENT

ON APPEAL from the UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF OHIO

IN CASE NO(S). 93-CV-2207

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

Per Curiam: (MAYER, Chief Judge, ARCHER, Senior Circuit Judge and CLEVENGER, Circuit Judge):

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

DATED: Dec. 14 1998 Jan Horbaly, Clerk

APPENDIX D

The Patent Act, Title 35 United States Code

§ 261. Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant any convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United Sates or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United

States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage. (July 19, 1952, c. 950, 66 Stat. 810; Jan. 2, 1975, Pub.L. 93-596, § 1, 88 Stat. 1949; Aug. 27, 1982, Pub.L. 97-247, § 14(b), 96 Stat. 321.)

APPENDIX E

California Labor Code (West 1989)

§ 2860. Ownership of things acquired by virtue ofemployment

Everything which an employee acquires by virtue of his employment, except the compensation which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment. (Stats.1937, c. 90, p. 260, § 2860.)